



MTC Sales Tax Simplification Task Forces Meeting
Tuesday, November 2, 1999
3:45pm to 5:45pm (Eastern)

Minutes

I. Welcome and Introductions

Jerry Orr, Exemption Processing Task Force Co-Chair, called the meeting to order. The following individuals were in attendance:

NAME	STATE/ORGANIZATION
Jerry Orr, Task Force Co-Chair	Committee on State Taxation
Karey Barton	Texas Comptroller of Public Accounts
Carol Bessey	Ohio Department of Taxation
Jack Van Coevering	Michigan Department of Treasury
John Feldmann	Missouri Department of Revenue
Joseph Goosby	DC Office of the Chief Financial Officer
Rick Handel	South Carolina Department of Revenue
Tom Hatten	Kansas Department of Revenue
Claire Hesselholt	Washington Department of Revenue
Bill Marshall	Ohio Department of Taxation
Will Rice	Washington Department of Revenue
Andy Sabol	North Carolina Department of Revenue
Jim Speed	California Board of Equalization
Dale Steager	West Virginia Department of Tax and Revenue
Joe Thomas	Connecticut Department of Revenue Services
Charles Wilson	DC Office of the Chief Financial Officer
René Blocker	Multistate Tax Commission
Elliott Dubin	Multistate Tax Commission
Jason Lumia	Multistate Tax Commission
Susan Ribe	Multistate Tax Commission

II. Public Comment Period

There was no public comment.

III. Discussion of Sales Tax Simplification Ideas

The meeting was limited to deliberating concepts relating to the work of the Exemption Processing Task Force only. This Task Force will be pursuing the implementation of uniform exemption processing ideas, which includes:

- Exemption identification numbers;
- Each State constructing a website that contains a list of all exempt customers and their respective registration numbers;
- Acceptance by all States of uniform multijurisdictional exemption certificates; and
- A uniform date of expiration of exemption from the time of issuance.

IV. Work of Committee and Task Forces on Implementation of Simplification Ideas

Jerry Orr stated that the creation of the Exemption Processing Task Force presents the opportunity to tackle issues that will fit in with the new era of electronic commerce. Mr. Orr expressed his and, Exemption Processing Task Force Co-Chair, Mona Shoemate's excitement about this opportunity.

During discussions regarding an exemption database, a number of concerns emerged. There was a general understanding that businesses are troubled re losing a good faith requirement and dealing with sales for resale. States, meanwhile, expressed some anxiety over requiring every exempt purchaser to register, how to promote electronic recordkeeping for purchasers that might not be required to file, and over resale certificates and direct pay permits. It was noted that the *Task Force on EDI Audit and Legal Issues for Tax Administration* produced *White Papers* on both procurement cards and electronic recordkeeping and retention regulations.

Will Rice reported that during the October 5, 1999, Northwest Project regional meeting in Salt Lake City, discussions about good faith requirements for acceptance of exemption certificates spawned a proposal that could nullify the need for a good faith requirement. Under the proposal, the purchasing entity would file an exemption certificate with the State, which would then issue the entity a corresponding identification number from which purchases made by the entity would be tracked and recorded. If the exemption identification number were matched to sufficient detail on the transaction, the State would only need to key in on that number on an audit check and download the list of transactions conducted by the corresponding entity, thereby allowing the auditor to match this information with information provided on the certificate. Ideally, businesses would no longer be asked to police the system, while States would have the means by which to easily check on the proper use of the exemption identification number. The Northwest Project States will continue to develop this proposal.

Carol Bessey noted that this scenario would present a much different scheme than is currently practiced in Ohio, as only exemption certificates are used and no registration is required. Ms. Bessey and Bill Marshall explained that in Ohio, two types of certificates currently exist — a unit certificate, which applies only to a specific point-of-sale transaction, and a blanket resale certificate. Differences in exemption treatment among the States run the gamut, *e.g.*, taxing all

purchasers and providing them with a refund (North Carolina) or specifically exempting certain types of purchasers (Arkansas). The group decided that it would be helpful understanding both the different types of documents required and the different types of exemptions that are provided in each State.

During a brief discussion surrounding exemption certificates, Bill Marshall announced that Ohio has committed to accept the *MTC Uniform Resale Exemption Certificate*, with a footnote to be added, however. Thirty-six States currently accept the certificate. (The MTC has received verbal notification, with written confirmation forthcoming, that Pennsylvania will also accept the certificate.) Dale Steager was unaware of “any good reason” why West Virginia, which currently uses a single form, does not currently accept the MTC resale certificate. Mr. Steager will follow up on this matter.

A uniform timeframe for the renewal of exemption certificates, *e.g.*, every one, three, or five years, was discussed. It was decided that in any event, the timeframe should impose no unreasonable processing burdens on either businesses or States. It was also noted that some States currently practice a “good-for-life” certificate policy.

Jerry Orr summarized what he felt were the primary concerns on behalf of the States’ perspective. They include:

- *Cost.* There was a question as to whether States would be willing to invest in simplification (long-term, yes; short-term, no). This will necessitate political action and a collaborative State-industry effort.
- *Fiscal Impact from Abuse.* Was raised if safeguards could be built into the system to prevent widespread abuse — particularly possessing authentication of who is actually claiming the exemption during a transaction.
- *Privacy.* The *public vs. private information* argument needs to be resolved.
- *Legislation.* Mentioned that business endorsement would be imperative in this regard.

V. Additional Steps and Topics to Task Forces’ Purposes

The Task Forces will continue to research, analyze, and develop the proposals.

VI. Future Meeting Plans

No future Task Force meeting has been set as of yet.

VII. Adjournment